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SUBJECT: EAST JAVA: PRESIDENTIAL HOPEFULS DISCUSS DECENTRALIZATION
AND ECONOMIC DEVELOPMENT BUT OFFER FEW DETAILS

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¶1. (SBU) Summary: Four presidential hopefuls discussed the power of decentralization on economic development at an April 30 seminar hosted by the Jawa Pos Group. All four agreed that the central government had failed to transfer sufficient authority to regional governments and questioned the government's commitment to implement regional autonomy policies. While they offered few specific examples, the prospective candidates emphasized the importance of "ekonomi kerakyatan" (pro-poor economic growth) policies and regional initiatives to stimulate local economic development. End Summary.

¶2. (SBU) At an April 30 seminar hosted by the Jawa Pos Group and the Jawa Pos Pro Otonomi Institute (JPIP), four presidential hopefuls discussed the importance of greater regional autonomy and emphasis on "ekonomi kerakyatan" (pro-poor economic growth policies). Sri Sultan Hamengkubuwono XI, the Governor of Yogyakarta; Sutiyoso, the former governor of Jakarta; retired General Wiranto, Chairman of the Hanura party; and Hidyat Nurwahid, Chairman of the People Consultative Assembly from the Prosperous Justice Party (PKS), spoke at a session billed as an opportunity to learn more about the vision of presidential candidates on economic development and decentralization. Only Hidyat Nurwahid disputed JPIP's description of him as a presidential candidate, insisting that he had no plans to run for president.

Decentralization Handicapped by Central Government

¶3. (SBU) All four participants agreed that the Indonesian government was too focused on macroeconomic development and had failed to adequately advance pro-poor economic policies. Such pro-poor policies would center on equitable economic participation and empower individuals to improve the welfare of all citizens. All four speakers agreed that decentralization is critical to achieving such economic empowerment. They criticized the central government for failing to demonstrate a strong commitment to implement regional autonomy policies. They stressed that local governments have the capabilities to improve and develop their regions, but are handicapped by central government politics. Although decentralization has devolved the greatest authority to the regency/city level, all speakers focused on the dynamic between the central government and the provinces. They concluded that the key to success of

decentralization is the political will of the central government to allow regional autonomy to flourish.

Sultan Hamengkubuwono -- Governor of Yogyakarta

¶4. (SBU) Sultan Hamengkubuwono asserted that the concept of "ekonomi kerakyatan" was a wholesale reversal of the New Order's policies which emphasized growth, distribution, and stability, but not poverty reduction and regional development. He reiterated that decentralization is the key to achieving these objectives by obligating local governments to empower residents.

As an example of successful initiatives, the Sultan described how Yogyakarta had offered its well-developed marketing networks within Asia to other provinces to help boost regional economic development. He added, however, that while the central government has transferred administrative responsibilities to regional governments, it has yet to transfer real authority.

General Wiranto -- Chairman, Hanura Party

¶5. (SBU) General Wiranto, whose Hanura Party has been critical of the current administration, stated that the central government had failed to issue policies or recommendations to promote "ekonomi kerakyatan," which he described as the democratic involvement of citizens in the policy-making process.

Without offering examples, Wiranto said that there had been many problems and challenges during the nine-year implementation of the regional autonomy initiative, but decentralization had reached the point of no return and could not be reversed.

Sutiyoso -- Former Governor of Jakarta

¶6. (SBU) The only speaker to acknowledge openly his presidential ambitions, Sutiyoso said that he would be a better president

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than the five previous presidents because he had learned a lot during his numerous terms as Jakarta's governor. He said that "ekonomi kerakyatan" had been poorly implemented because policies were capital intensive rather than labor intensive. Sutiyoso added that the central government should stop trying to act as regulator, controller, and operator at the same time. Sutiyoso pointed to 29 regulations which put regional issues such as land, investment, budgeting, education, and health under central government authority. As an example, Sutiyoso noted that the central government had pulled back the provincial government's authority to issue investment permits, further complicating investment decision making. Furthermore, provincial budgets must be approved by the Department of Home Affairs, creating delays and unnecessary bureaucratic interference. Sutiyoso's comments reflect a common perception that the central government still retains significant authority at the local level, particularly due to its control of budget allocations.

Hidayat Nurwahid -- Chairman, People's Consultative Assembly

¶7. (SBU) Hidayat Nurwahid was the only speaker to defend the central government's efforts, insisting that mechanisms existed to resolve the issues raised by other speakers. He noted that local governments could request a judicial review from the Constitutional Court if it believed certain regulations were impeding their efforts to develop the local economy. While he offered no economic examples, Hidayat described how a candidate for regent of Central Lombok requested revision of the election law on independent candidates after he failed to garner support from a political party. Hidayat Nurwahid also observed that the economy must be growing because more people are able to go on the Hajj every year. (Note: Hidayat's Islamic-oriented Prosperous Justice Party (PKS) is part of the ruling coalition, and Hidayat is being considered by all major parties as a vice

presidential candidate in the 2009 elections, including for
President Yudhoyono.)
MCCLELLAND